

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	2,170.16	7.04	(13.03)	2,164.17	19.00	(13.03)	2,176.13	2,176.13
Personal Services	92,274,059	13,706,393	63,772	106,044,224	14,103,394	2,233,482	108,610,935	214,655,159
Operating Expenses	322,091,651	83,087,088	18,468,276	423,647,015	144,104,589	2,070,000	468,266,240	891,913,255
Equipment	1,133,344	102,656	0	1,236,000	102,656	0	1,236,000	2,472,000
Capital Outlay	10,125,530	2,171,375	0	12,296,905	2,171,375	0	12,296,905	24,593,810
Local Assistance	0	0	383,400	383,400	0	511,200	511,200	894,600
Grants	6,989,629	3,400,696	0	10,390,325	2,367,696	0	9,357,325	19,747,650
Transfers	25,452	0	0	25,452	0	0	25,452	50,904
Debt Service	375	0	0	375	0	0	375	750
Total Costs	\$432,640,040	\$102,468,208	\$18,915,448	\$554,023,696	\$162,849,710	\$4,814,682	\$600,304,432	\$1,154,328,128
General Fund	0	0	0	0	0	0	0	0
State/Other Special	149,258,584	75,146,324	73,728	224,478,636	81,932,392	(152,620)	231,038,356	455,516,992
Federal Special	283,381,456	27,321,884	18,841,720	329,545,060	80,917,318	4,967,302	369,266,076	698,811,136
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$432,640,040	\$102,468,208	\$18,915,448	\$554,023,696	\$162,849,710	\$4,814,682	\$600,304,432	\$1,154,328,128

Agency Description

The Department of Transportation is responsible for serving the public by establishing and maintaining a transportation system that emphasizes safety, environmental preservation, cost-effectiveness, and quality.

Summary of Legislative Action

Department of Transportation Major Budget Highlights	
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals add \$289.0 million total funds for the biennium <ul style="list-style-type: none"> ?? Increases for contractor payments in support of the tentative construction plan add \$137.5 million ?? Bond proceeds for Highway 93 add \$78.7 million state special revenue to accelerate the Highway 93 project ?? One time funding for federal earmark projects adds \$11.5 million ?? An information technology project to integrate financial management systems adds \$4.5 million federal funds ?? Airport runway rehabilitations at the West Yellowstone and Lincoln airports add \$3.6 million of one time funding ?? Funding for federal transit capital assistance grants to local governments adds \$3.1 million ?? Transportation assistance for disabled and elderly adds \$1.3 million ○ Staffing is reduced by 5.99 FTE in fiscal 2004 and increased by 5.97 FTE in fiscal 2005 over the FTE funded in the base ○ The legislature removed \$5.4 million state special revenue funding in HB 2 and \$0.7 million state special revenue funding in HB 5 to offset partial funding of the Motor Vehicle Division of the Department of Justice with highways state special revenue ○ The legislature reduced funding by \$3.5 million for the biennium to 	

remove funding for pay raises given by the department during the 2003 biennium under the alternative pay plan and in addition to the pay plan funding provided by the 2001 legislature

- HB 13 adds \$3.4 million for the biennium for the state pay plan
- Prisoner per diem in the Department of Justice was funded with \$2.4 million highways state special revenue for the biennium
- The highways state special revenue account budget is imbalanced structurally, with expenditures significantly outpacing revenues

The legislative budget reflects present law and new proposal increases totaling \$289.0 million of total funds for the biennium. State special revenue increases by \$157.0 million and federal special revenue increases by \$132.0 million for the biennium. Compared to the 2003 biennium, total funds increase by \$158.3 million for the biennium. Of the increase, \$3.4 million is attributed to HB 13. Staffing is reduced by 5.99 FTE in fiscal 2004 and increased by 5.97 FTE in fiscal 2005. The following staffing changes result from netting of FTE increases primarily associated with planned construction support activities and various other FTE changes:

- Reduction of 2.00 FTE in each year for the General Operations Program to eliminate a public information officer and an administrative support position
- Increases of 8.04 FTE in fiscal 2004 and 20.00 FTE in fiscal 2005 based on Construction Management System estimates of staffing levels to support the highway construction program
- Reductions of 5.00 FTE in each year for the Construction Program to restructure district office administrative functions
- Reductions of 11.03 FTE in each year for the Maintenance Program to adjust staffing based on a needs survey
- Increases of 4.00 FTE in each year for the Transportation Planning Division to fund positions that install and maintain weigh-in-motion equipment across the state

After legislative action, the balance in the highways state special revenue account is expected to remain adequate to match all anticipated federal funds through the 2005 biennium. The legislature funded the department at a level supporting a tentative construction plan that assumes federal-aid highway construction funding will average \$325 million per year during the 2005 biennium. The level of federal highway construction funding is an increase from the level the department received during the 2003 biennium and reflects an assumption that Montana's allocation of federal aid from the Federal Highway Administration will increase from its current level when the federal-aid highway funding is reauthorized at the end of federal fiscal year 2003. Because the current six-year federal highway funding authorization will expire on September 30, 2003, future federal funding levels were assumed and will not be known until the funding mechanism is reauthorized.

The legislative budget includes \$78.7 million state special revenue to accelerate the Highway 93 project using proceeds from Grant Anticipation Revenue Vehicles (GARVEE) bonds. The proceeds from the sale of these bonds will be deposited in a state special revenue account, expended to accelerate the Highway 93 project, and repaid with future federal-aid funds allocated to the Missoula construction district.

The legislative budget includes reductions totaling \$3.5 million for the biennium to reduce operating expenses by the amount of staff pay raises given by the department during the 2003 biennium that were over and above the 2003 biennium pay plan and were attributed to the alternative classification and compensation system.

Agency Discussion

Working Capital Projections

After legislative action, the revised analysis of the highways state special revenue account projects is that the working capital balance of the account will drop to \$13.4 million by the end of the fiscal 2004. Based on anticipated revenues and full expenditure of appropriations, the balance is anticipated to continue to decline in subsequent years, with projections

indicating the account could move into a deficit position in fiscal 2005 and continue to decline thereafter. These estimates are based on appropriations approved by the legislature in HB 2 and HB 5, and revenue estimates adopted by the legislature in HJR 2 for gross vehicle weight (GVW) fees, gasoline taxes, and diesel taxes for fiscal 2003 and the 2005 biennium. Expenditure estimates for the 2007 and 2009 biennia are fiscal 2005 appropriations (expenditure growth has averaged 3 percent in recent years). The annual growth rates used in the HJR 2 revenue estimates were applied to the fiscal 2005 revenue estimates to project the 2007 and 2009 biennia revenues.

Highways State Special Revenue Account Stability

The following figure illustrates the analysis of the account and shows projections of revenues, expenditures, and working capital. The figure shows a significant imbalance between revenues and expenditures. Without some type of intervention to bring the revenues and expenditures into balance, projections indicate that the account will be depleted by the end of the 2005 biennium. Since projections are based on full expenditure of appropriations, any reversions of highways state special revenue appropriations due to department expenditure adjustments to manage the account will help to maintain the solvency of the account through the biennium.

Two actions by the legislature to mitigate a portion of the general fund revenue shortfall will contribute to a decline in the available working capital balance of the highways state special revenue account: 1) funding switches in the Department of Justice replace nearly \$8.7 million of general fund with highways state special revenue for the 2005 biennium and 2) HB 217 eliminated the nearly \$6.0 million general fund transfers to the account for the 2005 biennium that were established in statute to replace revenues de earmarked from the account to the general fund by HB 124 of the 2001 legislature.

Working Capital Analysis - Highways State Special Revenue Account								
Fiscal Years 2002 - 2009								
(in \$ Millions)								
	Fiscal 2002 Actual	Fiscal 2003 Approp.	Fiscal 2004 Approp.	Fiscal 2005 Approp.	Fiscal 2006 Estimate	Fiscal 2007 Estimate	Fiscal 2008 Estimate	Fiscal 2009 Estimate
Beginning Working Capital Balance	\$ 41.1	\$ 51.4	\$ 31.5	\$ 13.4	\$ (0.9)	\$ (11.6)	\$ (20.8)	\$ (28.3)
Revenues								
Gasoline tax	125.9	126.6	127.3	128.0	128.7	129.4	130.1	130.8
Diesel tax	56.1	57.0	57.8	58.7	59.5	60.4	61.3	62.1
Gross vehicle weight fees (GVW)	26.2	26.0	25.7	25.3	25.0	25.0	25.0	25.0
General fund transfer	-	0.1	-	-	3.1	3.1	3.1	3.2
Other revenues	5.8	5.4	4.8	4.3	3.9	3.9	3.9	3.9
Driver's license reinstatement fee (HB 618)			0.4	0.5	0.5	0.5	0.5	0.5
Revenue deductions								
Alcohol production incentives (15-70-522, MCA)			(1.8)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
Ethanol consumption incentives (15-70-204/321, MCA)	-	-	-	-	-	-	-	-
Total Revenues	\$ 214.0	\$ 215.0	\$ 214.3	\$ 210.8	\$ 214.7	\$ 216.3	\$ 217.9	\$ 219.6
Expenditures								
Department of Transportation (DOT)								
General Operations Program	16.2	12.5	14.6	14.9	14.9	14.9	14.9	14.9
Construction Program	57.2	85.5	87.1	77.8	77.8	77.8	77.8	77.8
Maintenance Program	73.5	77.0	80.5	80.8	80.8	80.8	80.8	80.8
Motor Carriers Services	4.8	5.0	5.2	5.3	5.3	5.3	5.3	5.3
Transportation Planning	1.4	3.1	2.6	2.1	2.1	2.1	2.1	2.1
Debt service (bond principle and interest)	13.9	3.8	-	-	-	-	-	-
Total Department of Transportation	\$ 166.9	\$ 186.9	\$ 189.9	\$ 181.0	\$ 181.0	\$ 181.0	\$ 181.0	\$ 181.0
Statutory Appropriations	16.8	16.8	16.8	16.8	16.8	16.8	16.8	16.8
Department of Justice (DOJ)	17.6	26.0	23.5	23.4	23.4	23.4	23.4	23.4
Long-Range Building Program								
Maintenance and repair of MDT buildings	3.1	3.4	1.7	1.7	2.0	2.0	2.0	2.0
Department of Fish, Wildlife & Parks	<u>0.7</u>	<u>1.8</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>
Total Long-Range Building Program	\$ 3.8	\$ 5.1	\$ 2.4	\$ 2.4	\$ 2.8	\$ 2.8	\$ 2.8	\$ 2.8
Pay plan for DOT and DOJ (HB 13 of 2003 legislature)			\$ 0.5	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.2
State match savings - open container law sanction			\$ (0.8)	\$ (0.8)	\$ (0.8)	\$ (0.8)	\$ (0.8)	\$ (0.8)
Transfer for noxious weeds (80-7-823, MCA)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditures	\$ 205.2	\$ 234.9	\$ 232.4	\$ 225.1	\$ 225.4	\$ 225.4	\$ 225.4	\$ 225.4
Revenues less expenditures	8.8	(19.9)	(18.1)	(14.3)	(10.7)	(9.1)	(7.5)	(5.9)
Adjustments	1.5							
Ending Working Capital Balance	<u>\$ 51.4</u>	<u>\$ 31.5</u>	<u>\$ 13.4</u>	<u>\$ (0.9)</u>	<u>\$ (11.6)</u>	<u>\$ (20.8)</u>	<u>\$ (28.3)</u>	<u>\$ (34.1)</u>

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

Total Agency Funding				
2005 Biennium Executive Budget				
Agency Program	State Spec.	Fed Spec.	Grand Total	Total %
General Operations Program	\$ 29,769,857	\$ 15,346,512	\$ 45,116,369	3.9%
Construction Program	244,171,018	641,562,962	885,733,980	76.7%
Maintenance Program	162,468,183	20,077,304	182,545,487	15.8%
Motor Carrier Services Div.	10,720,060	-	10,720,060	0.9%
Aeronautics Program	2,866,110	3,600,000	6,466,110	0.6%
Transportation Planning Divisi	5,521,764	18,224,358	23,746,122	2.1%
Grand Total	<u>\$455,516,992</u>	<u>\$698,811,136</u>	<u>\$1,154,328,128</u>	<u>100.0%</u>

Other Legislation

Senate Bill 39 - SB 39, which would have prohibited open containers in vehicles and would have provided penalties for possession of open containers in vehicles, failed to pass the legislature. Because SB 39 or another bill, such as HB 242, was not passed to enact an open container law that satisfied federal requirements, a sanction is imposed on federal funds apportioned to the department by the U.S. Department of Transportation. Under the sanction, three percent of the funds allocated for the national highway system, surface transportation program, and interstate maintenance, roughly \$5.6 million per year, must be transferred to the highway traffic safety program and used for safety projects meeting specific requirements. This transfer takes funds that would normally have been available for highway construction projects that are funded at an 87 percent federal participation rate and moves them to the highway traffic safety program that is funded entirely with federal funds. As such, the state match will not be spent on the transferred funds and \$837,000 per year of state funds will be saved. However, the use of the safety funds are more restrictive and can only be used for certain purposes specified in Section 154 of Title 23, USC. The allowable uses include alcohol-impaired driving countermeasures, enforcement of laws prohibiting driving while intoxicated, or as part of the hazards elimination program in Section 152 of Title 23, USC.

Senate Bill 489 - SB 489 designates the U.S. interstate highways in Montana as the "Purple Heart Trail." The fiscal note for SB 489 indicates it would increase costs to the department by \$11,000 in fiscal 2004 to make and place signs at appropriate locations on Montana interstate highways. The executive did not request nor did the legislature fund additional costs associated with SB 489. However, SB 489 specified that the funds to design and erect the signs are to come from gifts and grants from other state agencies, federal agencies, local governments, or private persons provided for this purpose. No appropriation is needed to expend these types of funds.

House Bill 71 - HB 71 removed the sunset on authority of the department to stop motor vehicles suspected of using dyed diesel fuel on state highways. The fiscal note for HB 71 indicates it would increase costs to the department by \$1,000 per year for costs associated with notices of assessments and appeal costs. The executive did not request nor did the legislature fund additional costs associated with HB 71.

House Bill 242 - HB 242 would have enacted an open container law similar to SB 39, but was not passed by the legislature. As with SB 39, failure to pass HB 242 contributed to the imposition of a sanction of federal highway funding that will require \$11.2 million of federal funds for the biennium that would have been allocated to the highway construction program to be transferred to the highway traffic safety program. The impacts identified for SB 39 will subsequently result.

House Bill 618 - HB 618 doubled the driver's license reinstatement fee and distributed half of the fees to a state special revenue fund for funding of county drinking and driving prevention programs. The legislative budget for the department includes \$894,600 state special revenue for the biennium to implement HB 618 and fund the county drinking and driving prevention programs from driver's license reinstatement fee revenues.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2002	Executive Budget Fiscal 2004	Legislative Budget Fiscal 2004	Leg – Exec. Difference Fiscal 2004	Executive Budget Fiscal 2005	Legislative Budget Fiscal 2005	Leg – Exec. Difference Fiscal 2005	Biennium Difference Fiscal 04-05
FTE	2,170.16	2,163.68	2,164.17	0.49	2,112.50	2,176.13	63.63	
Personal Services	92,274,059	105,606,863	106,044,224	437,361	104,236,997	108,610,935	4,373,938	4,811,299
Operating Expenses	322,091,651	436,403,270	423,647,015	(12,756,255)	435,683,460	468,266,240	32,582,780	19,826,525
Equipment	1,133,344	1,236,000	1,236,000	0	1,236,000	1,236,000	0	0
Capital Outlay	10,125,530	12,321,905	12,296,905	(25,000)	12,321,905	12,296,905	(25,000)	(50,000)
Local Assistance	0	0	383,400	383,400	0	511,200	511,200	894,600
Grants	6,989,629	10,390,325	10,390,325	0	9,357,325	9,357,325	0	0
Transfers	25,452	25,452	25,452	0	25,452	25,452	0	0
Debt Service	375	375	375	0	375	375	0	0
Total Costs	\$432,640,040	\$565,984,190	\$554,023,696	(\$11,960,494)	\$562,861,514	\$600,304,432	\$37,442,918	\$25,482,424
General Fund	0	0	0	0	0	0	0	0
State/Other Special	149,258,584	222,102,788	224,478,636	2,375,848	242,424,063	231,038,356	(11,385,707)	(9,009,859)
Federal Special	283,381,456	343,881,402	329,545,060	(14,336,342)	320,437,451	369,266,076	48,828,625	34,492,283
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$432,640,040	\$565,984,190	\$554,023,696	(\$11,960,494)	\$562,861,514	\$600,304,432	\$37,442,918	\$25,482,424

Executive Budget Comparison

The legislative budget is \$25.5 million in total funds greater than the Executive Budget for the 2005 biennium. Federal special revenue funds in the legislative budget are \$34.5 million greater than the Executive Budget, while state special revenue funds are \$9.0 million lower. The following factors contributed most to the difference: 1) total funds were increased by \$24.3 million for the biennium to more accurately reflect the tentative construction plan for providing a highway construction program at the full level of federal-aid funding; 2) total funds were increased by \$11.5 million to provide one-time funding for federal earmark projects; 3) state special revenue was reduced by \$9.0 million for the biennium to more accurately reflect U.S. Highway 93 project projected expenditures for the biennium; 4) state special revenue was reduced by \$0.4 million for the biennium to eliminate 5.00 FTE district administrative officer positions; 5) state special revenue was reduced by \$5.4 million for the biennium to offset funding of the Motor Vehicle Division in the Department of Justice with highways state special revenue funds; and 6) funding for an integrated financial systems project was reduced by \$3.5 million.

Language

The legislature approved the following language for appropriations of the department.

"The department may adjust appropriations in the general operations, construction, maintenance, and transportation planning programs between state special revenue funds and federal special revenue funds if the total state special revenue authority for these programs is not increased by more than 10 percent of the total appropriations established by the legislature for each program. All transfers between state special revenue funds and federal special revenue funds must be fully explained, justified, and reported in accordance with the requirements of 17-7-138 or 17-7-139, as applicable."

"All federal special revenue appropriations in the department are biennial."

"All appropriations in the general operations, construction, maintenance, and transportation planning programs are biennial."

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	161.77	0.00	(2.00)	159.77	0.00	(2.00)	159.77	159.77
Personal Services	6,951,701	1,059,363	(28,198)	7,982,866	1,066,415	132,242	8,150,358	16,133,224
Operating Expenses	10,198,521	1,632,295	2,070,000	13,900,816	1,992,322	2,070,000	14,260,843	28,161,659
Equipment	226,118	109,250	0	335,368	109,250	0	335,368	670,736
Grants	75,000	0	0	75,000	0	0	75,000	150,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	375	0	0	375	0	0	375	750
Total Costs	\$17,451,715	\$2,800,908	\$2,041,802	\$22,294,425	\$3,167,987	\$2,202,242	\$22,821,944	\$45,116,369
State/Other Special	11,156,774	3,673,651	(208,570)	14,621,855	4,040,651	(49,423)	15,148,002	29,769,857
Federal Special	6,294,941	(872,743)	2,250,372	7,672,570	(872,664)	2,251,665	7,673,942	15,346,512
Total Funds	\$17,451,715	\$2,800,908	\$2,041,802	\$22,294,425	\$3,167,987	\$2,202,242	\$22,821,944	\$45,116,369

Program Description

The General Operations Program administers motor fuel taxes and provides administrative support services for the department, including general administration and management; accounting and budgeting; public affairs; information technology services; human resources activities; compliance review; and goods and services procurement.

Program Narrative

Department of Transportation General Operations Program Major Budget Highlights	
○ Present law adjustments and new proposals add \$10.2 million of total funds for the two years of biennium with a base of \$17.5 million	
?? An information technology project to integrate financial management systems adds \$4.5 million federal funds	
?? Statewide present law adjustments add \$6.0 million	

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table General Operations Program						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
02422 Highways Special Revenue	\$ 11,156,774	63.9%	\$ 14,621,855	65.6%	\$ 15,148,002	66.4%
03407 Highway Trust - Sp Rev	<u>6,294,941</u>	<u>36.1%</u>	<u>7,672,570</u>	<u>34.4%</u>	<u>7,673,942</u>	<u>33.6%</u>
Grand Total	<u>\$ 17,451,715</u>	<u>100.0%</u>	<u>\$ 22,294,425</u>	<u>100.0%</u>	<u>\$ 22,821,944</u>	<u>100.0%</u>

The General Operations Program is funded from the highways state special revenue fund and federal special revenue. The highways state special revenue fund receives revenue primarily from motor fuel taxes and gross vehicle weight permit fees. Federal funding is available for assistance for disadvantaged businesses, training, fuel tax evasion prevention efforts, and administrative expenses associated with the federal-aid highway program. Beginning in fiscal 2002, the

program began receiving federal reimbursements for indirect costs associated with the federal-aid highway program via a Federal Highways Administration (FHWA) approved indirect cost plan.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,314,573					1,316,718
Vacancy Savings					(330,649)					(330,742)
Inflation/Deflation					6,564					7,396
Fixed Costs					1,815,524					2,174,432
Total Statewide Present Law Adjustments					\$2,806,012					\$3,167,804
DP 103 - IT Equipment Lifecycle Replacements	0.00	0	109,250	0	109,250	0.00	0	109,250	0	109,250
DP 104 - Overtime and Differential Pay	0.00	0	74,828	611	75,439	0.00	0	79,795	644	80,439
DP 105 - IFTA Dues and Legal Fees	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 109 - Equipment Rental	0.00	0	2,076	0	2,076	0.00	0	2,363	0	2,363
DP 110 - Alternative Pay Plan Conversion	0.00	0	(215,522)	(1,347)	(216,869)	0.00	0	(215,522)	(1,347)	(216,869)
Total Other Present Law Adjustments										
	0.00	\$0	(\$4,368)	(\$736)	(\$5,104)	0.00	\$0	\$886	(\$703)	\$183
Grand Total All Present Law Adjustments					\$2,800,908					\$3,167,987

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 103 - IT Equipment Lifecycle Replacements - The legislature approved an increase of \$218,500 state special revenue for the biennium to establish a four-year replacement schedule for computer network servers and data storage equipment.

DP 104 - Overtime and Differential Pay - The legislature approved \$154,623 state special revenue and \$1,255 federal special revenue for the biennium to reestablish base year overtime and differential pay plus associated benefits.

DP 105 - IFTA Dues and Legal Fees - The legislature approved an increase of \$50,000 state special revenue for the biennium to fund \$10,000 in annual dues payments for the International Fuel Tax Agreement (IFTA) and \$15,000 annual funding for the fuel tax dispute resolution process to cover costs that occur when disputes go beyond the internal review phase.

DP 109 - Equipment Rental - The legislature approved an increase of \$4,439 state special revenue for the biennium to fund the program's share of proposed increases in the department's Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 110 - Alternative Pay Plan Conversion - The legislature approved reductions of \$431,044 state special revenue and \$2,694 federal special revenue to reduce operating expenses to fund the costs of the broadband pay plan increases given during fiscal 2002.

New Proposals											
Program	FTE	Fiscal 2004				Fiscal 2005					Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 102 - Integrated Financial Systems											
01	0.00	0	0	2,250,000	2,250,000	0.00	0	0	2,250,000	2,250,000	
DP 107 - FTE Reduction											
01	(2.00)	0	(77,334)	0	(77,334)	(2.00)	0	(77,863)	0	(77,863)	
DP 108 - Reduction in Contracted Audits											
01	0.00	0	(180,000)	0	(180,000)	0.00	0	(180,000)	0	(180,000)	
DP 6800 - HB 13 - Pay Plan											
01	0.00	0	48,764	372	49,136	0.00	0	208,440	1,665	210,105	
Total	(2.00)	\$0	(\$208,570)	\$2,250,372	\$2,041,802	(2.00)	\$0	(\$49,423)	\$2,251,665	\$2,202,242	

New Proposals

DP 102 - Integrated Financial Systems - The legislature approved an increase of \$4.5 million federal special revenue for the biennium to fund an integrated financial management system and common data warehouse. The legislature restricted the appropriation to use only for this purpose and designated it as one time only.

DP 107 - FTE Reduction - The legislature approved a reduction of \$155,197 state special revenue for the biennium to eliminate 2.00 FTE positions in the program.

DP 108 - Reduction in Contracted Audits - The legislature approved a reduction of \$360,000 state special revenue for the biennium to reduce the number of audits that are provided by contracted services.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	1,045.09	3.04	0.00	1,048.13	15.00	0.00	1,060.09	1,060.09
Personal Services	46,102,640	6,660,204	319,820	53,082,664	6,961,650	1,383,294	54,447,584	107,530,248
Operating Expenses	263,671,706	72,376,632	12,548,276	348,596,614	133,293,386	0	396,965,092	745,561,706
Equipment	800,192	0	0	800,192	0	0	800,192	1,600,384
Capital Outlay	10,112,163	2,141,375	0	12,253,538	2,141,375	0	12,253,538	24,507,076
Local Assistance	0	0	383,400	383,400	0	511,200	511,200	894,600
Grants	2,819,983	0	0	2,819,983	0	0	2,819,983	5,639,966
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$323,506,684	\$81,178,211	\$13,251,496	\$417,936,391	\$142,396,411	\$1,894,494	\$467,797,589	\$885,733,980
State/Other Special	57,229,272	61,351,543	295,620	118,876,435	68,820,293	(754,982)	125,294,583	244,171,018
Federal Special	266,277,412	19,826,668	12,955,876	299,059,956	73,576,118	2,649,476	342,503,006	641,562,962
Total Funds	\$323,506,684	\$81,178,211	\$13,251,496	\$417,936,391	\$142,396,411	\$1,894,494	\$467,797,589	\$885,733,980

Program Description

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through actual construction. Program responsibilities include such tasks as project design, accessing environmental documents and permits, making right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved. The program also administers Montana's highway traffic safety functions.

Program Narrative

Department of Transportation Construction Program Major Budget Highlights	
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals add \$238.7 million of total funds for the two years of biennium with a base of \$323.5 million <ul style="list-style-type: none"> ?? Increases for contractor payments in support of the tentative construction plan add \$137.5 million ?? Bond proceeds for Highway 93 add \$78.7 million state special revenue to accelerate the Highway 93 project ?? One time funding for federal earmark projects adds \$11.5 million 	

The legislature funded the Construction Program budget at a level for a tentative construction plan that assumes federal-aid highway construction funding will average \$325 million per year during the 2005 biennium. This level of funding assumes that Montana's allocation of federal aid from the Federal Highway Administration will increase from its current level when the federal-aid highway funding is reauthorized at the end of federal fiscal year 2003. Because the current six-year federal highway funding authorization will expire on September 30, 2003, future federal funding levels were assumed and will not be known until the funding mechanism is reauthorized.

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table						
Construction Program						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
02422 Highways Special Revenue	\$ 57,229,272	17.7%	\$ 87,181,747	20.9%	\$ 78,332,703	16.7%
02799 Highway 93 Bond Proceeds	-	-	31,694,688	7.6%	46,961,880	10.0%
03407 Highway Trust - Sp Rev	263,518,313	81.5%	296,231,052	70.9%	339,644,616	72.6%
03828 Traffic Safety	<u>2,759,099</u>	<u>0.9%</u>	<u>2,828,904</u>	<u>0.7%</u>	<u>2,858,390</u>	<u>0.6%</u>
Grand Total	<u>\$ 323,506,684</u>	<u>100.0%</u>	<u>\$ 417,936,391</u>	<u>100.0%</u>	<u>\$ 467,797,589</u>	<u>100.0%</u>

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana under the federal transportation funding laws authorized in the Transportation Equity Act for the 21st Century (TEA-21). Construction design, construction, and construction management costs, as well as direct administrative costs for construction activities, are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 87 percent federal with a 13 percent state match. The program also provides a maintenance-of-effort highway construction program funded entirely with the highways state special revenue. The primary sources of revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees. Traffic safety functions are generally funded 100 percent with National Highway Traffic Safety Administration grant funds. The exception for traffic safety functions is that a 50 percent state special revenue match is required for roughly 1 percent of the administrative costs.

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					3,594,904					3,621,305
Vacancy Savings					(1,987,916)					(1,988,965)
Inflation/Deflation					2,407					8,187
Fixed Costs					4,587					4,987
Total Statewide Present Law Adjustments					\$1,613,982					\$1,645,514
DP 202 - CMS Adjustment	8.04	0	196,203	666,985	863,188	20.00	0	255,184	948,509	1,203,693
DP 203 - Landowner Payments	0.00	0	321,206	1,820,169	2,141,375	0.00	0	321,206	1,820,169	2,141,375
DP 204 - Contractor Payments / Federal Aid Construction	0.00	0	3,979,008	23,910,450	27,889,458	0.00	0	3,952,511	72,252,692	76,205,203
DP 206 - US Highway 93	0.00	0	31,694,688	0	31,694,688	0.00	0	46,961,880	0	46,961,880
DP 207 - CMS Aggregate Positions	0.00	0	182,654	379,566	562,220	0.00	0	182,654	379,566	562,220
DP 209 - Contractor Payments / State Construction Program	0.00	0	18,099,337	0	18,099,337	0.00	0	15,342,077	0	15,342,077
DP 210 - Overtime / Differential	0.00	0	1,215,064	3,282,758	4,497,822	0.00	0	1,144,384	3,353,438	4,497,822
DP 212 - Equipment Rental	0.00	0	44,648	108,982	153,630	0.00	0	48,268	126,432	174,700
DP 213 - Roadway Striping	0.00	0	0	(5,000,000)	(5,000,000)	0.00	0	0	(5,000,000)	(5,000,000)
DP 214 - Alternative Pay Plan Conversion	0.00	0	(469,464)	(674,733)	(1,144,197)	0.00	0	(469,464)	(674,733)	(1,144,197)
DP 215 - FTE Reduction	(5.00)	0	(193,292)	0	(193,292)	(5.00)	0	(193,876)	0	(193,876)
Total Other Present Law Adjustments	3.04	\$0	\$55,070,052	\$24,494,177	\$79,564,229	15.00	\$0	\$67,544,824	\$73,206,073	\$140,750,897
Grand Total All Present Law Adjustments					\$81,178,211					\$142,396,411

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 202 - CMS Adjustment - The legislature approved increases of \$451,387 state special revenue and \$1,615,494 federal special revenue for the biennium for Construction Management System (CMS) estimates of FTE and engineering costs to support the highway construction program. The funding increases are for an additional 8.04 FTE in fiscal 2004 and an additional 20.00 FTE in fiscal 2005.

DP 203 - Landowner Payments - The legislature approved increases totaling \$3,640,338 federal special revenue and \$642,412 state special revenue for the biennium to bring the base for land payments to the average annual amount that has occurred throughout the life of the Transportation Equity Act for the Twenty-first Century (TEA-21).

DP 204 - Contractor Payments / Federal Aid Construction - The legislature approved increases of \$7.9 million state special revenue and \$96.2 million federal special revenue to provide contractor payments for highway construction projects in support of the department's Tentative Construction Program.

DP 206 - US Highway 93 - The legislature approved \$78.7 million state special revenue for the biennium to accelerate the construction project on US Highway 93 from Evaro Hill to Polson, which would double the current traffic capacity and address safety problems.

DP 207 - CMS Aggregate Positions - The legislature approved increases of \$365,308 state special revenue and \$759,132 federal special revenue to provide full funding for all aggregate positions in the Construction Program.

DP 209 - Contractor Payments / State Construction Program - The legislature approved an increase of \$33.4 million state special revenue for the biennium to fund state funded construction adequate to maintain Montana's maintenance of effort for receiving a favorable 87 percent federal participation rate on highway construction projects.

DP 210 - Overtime / Differential - The legislature approved \$2.4 million state special revenue and \$6.6 million federal special revenue for the biennium to reestablish base year overtime and differential pay plus associated benefits.

DP 212 - Equipment Rental - The legislature approved increases of \$93,000 state special revenue and \$235,000 federal special revenue for the biennium to fund the program's share of proposed increases in the department's Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 213 - Roadway Striping - The legislature approved a reduction of \$10 million federal special revenue for the biennium to move all pavement-striping contracts of the department, except post-construction striping included in highway construction contracts, to the Maintenance Program.

DP 214 - Alternative Pay Plan Conversion - The legislature approved reductions of \$938,928 state special revenue and \$1,349,466 federal special revenue to reduce operating expenses to fund the costs of the broadband pay plan increases given during fiscal 2002.

DP 215 - FTE Reduction - The legislature approved a reduction of \$387,168 state special revenue for the biennium to reduce staffing by 5.00 FTE.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 211 - Convert Metric measure to English measure										
02	0.00	0	1,000,000	0	1,000,000	0.00	0	0	0	0
DP 216 - Funding Shift										
02	0.00	0	(1,750,000)	1,750,000	0	0.00	0	(1,750,000)	1,750,000	0
DP 218 - Federal Earmark Projects (Biennial/OTO)										
02	0.00	0	548,276	11,000,000	11,548,276	0.00	0	0	0	0
DP 219 - County Drinking and Driving Prevention Programs										
02	0.00	0	383,400	0	383,400	0.00	0	511,200	0	511,200
DP 6800 - HB 13 - Pay Plan										
02	0.00	0	113,944	205,876	319,820	0.00	0	483,818	899,476	1,383,294
Total	0.00	\$0	\$295,620	\$12,955,876	\$13,251,496	0.00	\$0	(\$754,982)	\$2,649,476	\$1,894,494

New Proposals

DP 211 - Convert Metric measure to English measure - The legislature approved \$1 million state special revenue for the biennium to convert from the Metric system of measure to the English system of measure. The legislature designated the appropriation for this purpose as one time only.

DP 216 - Funding Shift - The legislature approved a funding switch to reduce state special revenue by \$3.5 million for the biennium and increase federal special revenue by \$3.5 million for the biennium. The funding switch complements the reduction the legislature made in the General Operations Program to DP 102, Integrated Financial Systems. The legislature reduced DP 102 by \$3.5 million federal special revenue for the biennium along with this funding switch to offset the impacts on fund balance from funding the Motor Vehicles Division of the Department of Justice with highways state special revenue account in place of general fund.

DP 218 - Federal Earmark Projects (Biennial/OTO) - The legislature approved increases of \$548,276 state special revenue for the biennium and \$11 million federal special revenue for the biennium to fund federal earmarked projects as part of the discretionary earmarks from federal fiscal 2003 Federal Transportation and Associated Agencies Section within the federal fiscal 2003 Omnibus Federal Appropriations Act. Projects that would be funded with these funds are: 1) Clagget Hill construction and ferry boats; 2) Billings bypass development; 3) Bozeman Pass wildlife channelization study; 4) US 93 expansion project; 5) Highway 2 highline EIS project; 6) Marysville Road; 7) Two Medicine River bridge; and 8) US 93, Kalispell bypass project. The legislature designated an appropriation for these funds as a one-time-only biennial appropriation.

DP 219 - County Drinking and Driving Prevention Programs - The legislature approved funding for county drinking and driving prevention programs. Funding for the drinking and driving prevention programs is from state special revenue derived from an allocation of the driver's license reinstatement fee. The fee was doubled from \$100 to \$200 in HB 618.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Language

"Item 2 [Construction Program] includes a total of \$63,690 for the 2005 biennium for the Montana Natural Resources Information System. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated."

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	779.20	0.00	(11.03)	768.17	0.00	(11.03)	768.17	768.17
Personal Services	32,033,711	5,187,409	(285,176)	36,935,944	5,278,430	472,695	37,784,836	74,720,780
Operating Expenses	45,454,460	8,240,470	0	53,694,930	8,446,033	0	53,900,493	107,595,423
Equipment	71,275	0	0	71,275	0	0	71,275	142,550
Capital Outlay	13,367	30,000	0	43,367	30,000	0	43,367	86,734
Total Costs	\$77,572,813	\$13,457,879	(\$285,176)	\$90,745,516	\$13,754,463	\$472,695	\$91,799,971	\$182,545,487
State/Other Special	73,481,092	7,510,948	(285,176)	80,706,864	7,807,532	472,695	81,761,319	162,468,183
Federal Special	4,091,721	5,946,931	0	10,038,652	5,946,931	0	10,038,652	20,077,304
Total Funds	\$77,572,813	\$13,457,879	(\$285,176)	\$90,745,516	\$13,754,463	\$472,695	\$91,799,971	\$182,545,487

Program Description

The Maintenance Program is responsible for preserving and maintaining a safe and environmentally sound state highway transportation system and related facilities. Major maintenance activities include patching, repairing, and periodic sealing of highway surfaces; snow removal; and sanding.

Program Narrative

Department of Transportation Maintenance Program Major Budget Highlights	
○ Present law adjustments and new proposals add \$27.4 million of total funds for the two years of biennium with a base of \$77.6 million	
?? Moving the pavement striping program from the Construction Program to the Maintenance Program adds \$10.6 million	
?? The pavement preservation program was increased by \$3.2 million to adjust for low base expenditures for pavement preservation work attributed to wet spring weather	
?? Statewide present law adjustments and overtime and differential pay adjustments add \$10.7 million	

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table Maintenance Program						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
02422 Highways Special Revenue	\$ 73,481,092	94.7%	\$ 80,706,864	88.9%	\$81,761,319	89.1%
03407 Highway Trust - Sp Rev	4,091,721	5.3%	10,038,652	11.1%	10,038,652	10.9%
Grand Total	\$ 77,572,813	100.0%	\$ 90,745,516	100.0%	\$91,799,971	100.0%

The Maintenance Program is primarily funded with highways state special revenue. Federal special revenue also funds a portion of the costs associated with the road reporter functions as well as qualifying highway maintenance activities.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				4,131,452					4,226,258
Vacancy Savings				(1,446,633)					(1,450,418)
Inflation/Deflation				121,751					140,133
Fixed Costs				(555)					(555)
Total Statewide Present Law Adjustments				\$2,806,015					\$2,915,418
DP 301 - Secondary Road Mile Increase	0.00	0	96,540	96,540	0.00	0	144,660	0	144,660
DP 302 - Roadway Striping	0.00	0	304,430	5,000,000	0.00	0	304,430	5,000,000	5,304,430
DP 303 - Noxious Weed Control	0.00	0	57,044	0	0.00	0	59,861	0	59,861
DP 304 - Rest Area Maintenance	0.00	0	179,636	0	0.00	0	199,097	0	199,097
DP 306 - Overtime and Differential	0.00	0	2,502,590	0	0.00	0	2,502,590	0	2,502,590
DP 307 - Increased Contract Costs	0.00	0	31,588	0	0.00	0	31,588	0	31,588
DP 308 - Land Purchases	0.00	0	30,000	0	0.00	0	30,000	0	30,000
DP 309 - Sign Template Stock	0.00	0	85,350	0	0.00	0	85,350	0	85,350
DP 310 - New Core Drill Building	0.00	0	19,480	0	0.00	0	19,625	0	19,625
DP 311 - Equipment Rental	0.00	0	850,309	0	0.00	0	966,947	0	966,947
DP 312 - Pavement Preservation	0.00	0	1,587,602	0	0.00	0	1,587,602	0	1,587,602
DP 313 - Travelers Information Service	0.00	0	130,000	0	0.00	0	130,000	0	130,000
DP 314 - Training	0.00	0	31,714	0	0.00	0	31,714	0	31,714
DP 316 - Travel Reduction	0.00	0	(69,985)	0	0.00	0	(69,985)	0	(69,985)
DP 317 - Alternative Pay Plan Conversion	0.00	0	(184,434)	0	0.00	0	(184,434)	0	(184,434)
Total Other Present Law Adjustments	0.00	\$0	\$5,651,864	\$5,000,000	0.00	\$0	\$5,839,045	\$5,000,000	\$10,839,045
Grand Total All Present Law Adjustments				\$13,457,879					\$13,754,463

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 301 - Secondary Road Mile Increase - The legislature approved an increase of \$241,200 state special revenue for the biennium to purchase materials such as traffic paint, winter materials, replacement signs, and sand to maintain additional paved secondary roads transferred from the counties to the state under the guidelines provided in 60-2-203, MCA. Under this authority, the department would assume maintenance responsibilities for just over 32 additional lane miles in fiscal 2004 and 48 lane miles in fiscal 2005.

DP 302 - Roadway Striping - The legislature approved increases of \$10.0 million federal special revenue and \$0.6 million state special revenue for the biennium for the Maintenance Program to assume all pavement striping activities currently being done by the Construction Program and to adjust the base for striping activities that were planned but deferred until fiscal 2003 due to wet spring weather. With this funding, the Maintenance Program will manage all pavement-striping

contracts of the department, except post-construction striping included in highway construction contracts.

DP 303 - Noxious Weed Control - The legislature approved an increase of \$116,905 state special revenue for the biennium for noxious weed control measures along additional paved secondary road rights-of-way originally transferred from the counties to the state under the authority of 60-2-203, MCA.

DP 304 - Rest Area Maintenance - The legislature approved an increase of \$378,733 state special revenue for the biennium to address cost increases experienced when renewing or replacing area maintenance contracts.

DP 306 - Overtime and Differential - The legislature approved \$5.0 million state special revenue for the biennium to reestablish base year overtime and differential pay plus associated benefits.

DP 307 - Increased Contract Costs - The legislature approved an increase of \$63,176 state special revenue for the biennium to address cost increases encountered when existing contracts are renewed for radio site land rent and for janitorial and cleaning contracts at the Helena headquarters facility and district facilities.

DP 308 - Land Purchases - The legislature approved an increase of \$60,000 state special revenue for the biennium to purchase land for facility sites associated with Long-Range Building Program facilities.

DP 309 - Sign Template Stock - The legislature approved an increase of \$170,700 state special revenue for the biennium to replace sign template stock that has been depleted.

DP 310 - New Core Drill Building - The legislature approved an increase of \$39,105 state special revenue for the biennium to purchase janitorial and maintenance supplies and increased utility costs, such as gas, electricity, and water for the new core drill building approved by the 2001 legislature in the Long-Range Building Program.

DP 311 - Equipment Rental - The legislature approved an increase of \$1.8 million state special revenue for the biennium to fund the program's share of proposed increases in the department's Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 312 - Pavement Preservation - The legislature approved an increase of \$3.2 million state special revenue for the biennium to adjust the base for pavement preservation activity that was below the planned level due to contract delays related to a wet spring construction season during the base year.

DP 313 - Travelers' Information Service - The legislature approved an increase of \$260,000 state special revenue for the state match associated with the 511 travelers' information service.

DP 314 - Training - The legislature approved an increase of \$63,428 state special revenue to provide training associated with the career ladder union agreement.

DP 316 - Travel Reduction - The legislature approved a reduction of \$139,970 state special revenue for the biennium to bring the Maintenance Program travel back to the 2003 biennium travel budget level.

DP 317 - Alternative Pay Plan Conversion - The legislature approved a reduction of \$368,868 state special revenue to reduce operating expenses to fund the costs of the broadband pay plan increases given during fiscal 2002.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 315 - FTE Reduction										
03	(11.03)	0	(516,906)	0	(516,906)	(11.03)	0	(520,602)	0	(520,602)
DP 6800 - HB 13 - Pay Plan										
03	0.00	0	231,730	0	231,730	0.00	0	993,297	0	993,297
Total	(11.03)	\$0	(\$285,176)	\$0	(\$285,176)	(11.03)	\$0	\$472,695	\$0	\$472,695

New Proposals

DP 315 - FTE Reduction - The legislature approved a reduction of roughly \$1 million state special revenue for the biennium to reduce staffing by 11.03 FTE in each year. The FTE reduction is based on a needs survey conducted by the program in fiscal 2002.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Proprietary Rates

Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet; and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide.

Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual. Other options for state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. State law encourages use of the program through a reimbursement rate for use of personal vehicles for state business travel that is set at 52 percent of the low mileage rate allowed by the United States Internal Revenue Services unless a State Motor Pool vehicle is not available.

The program has increased from 318 units in fiscal 1994 to 783 in fiscal 2002. During that time, annual mileage increased from 4.1 million to 11.1 million miles. This growth in the number of vehicles and miles traveled is largely due to the practice of the Office of Budget and Program Planning stipulating that agencies lease new vehicles from the State Motor Pool instead of directly purchasing vehicles.

Revenues and Expenses

Revenue is generated through vehicle rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide roughly 98 percent of the revenue for the program. Rental fee revenues are functionally tied to the travel requirements of various user agencies. The program also receives revenue from accident damages reimbursed by private individuals or insurance companies. These damage reimbursement revenues generally cover only the expenses to repair the damage.

Vehicle rental fees come from two service classes: 1) short-term rentals; and 2) long-term leases. Short-term rentals serve agency personnel generally located in the Helena area who need to travel to other state locations and return to Helena at the culmination of the travel event. Long-term leases serve agencies with personnel housed in offices in Helena and in other parts of the state and who frequently travel as a normal part of their work assignments. Long-term vehicles are typically housed and managed out of using agency office locations and only returned to the State Motor Pool facilities for maintenance or reassignment.

The State Motor Pool is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet, including funding for 6.00 FTE. The program pays all costs directly associated with vehicle operations, including liability insurance. The State Motor Pool is reimbursed for costs directly attributable to operator abuse and accident costs caused by an outside party. User agencies can pay for optional full coverage insurance costs associated with employee use of State Motor Pool vehicles. The cost of this supplemental insurance is not included in the State Motor Pool rate structure.

The majority of the costs of the program are fixed costs, as they cannot be traced directly to specific miles driven by State Motor Pool vehicles. Fixed costs are supported by the assigned rates allocated to the seven classes of vehicles. Indirect costs are made up primarily of overhead costs and are allocated equally to all units of the fleet. The motor pool management system tracks direct costs and allocates them to the particular unit class the costs apply. Direct costs, such as gasoline, oil, and tires, are supported by the usage rates for all seven classes of vehicles. The program has included a 3 percent annual increase when projecting costs for vehicle purchase and operating costs.

The program uses loans from the Board of Investments (BOI) to fund vehicle purchases. Interest rates on BOI loans are adjusted annually and vary from one purchase cycle to the next. The outstanding loan balance and interest and principal payments have the greatest impacts on motor pool rental rates and are supported by the assigned time rate because of their indirect nature.

Rental rates are set to recover sufficient revenue to meet loan principal and interest payments, and operating costs, and to allow maintaining no more than a 60-day working capital balance. If the program does not generate sufficient revenue to make interest and principal payments, a short-term loan would be requested or assets would be sold to satisfy the loan obligations. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and payments are requested to pay for services by the end of the next month. This allows the program to make monthly expense payments and accumulate adequate working capital to pay quarterly interest payments on the BOI loans and the annual payment on loan principal. The program was not able to attain an adequate working capital level during the base year. The program has included a factor to increase the working capital balance in the 2005 biennium rate request.

The program rents vehicles for use by other state government entities. The number of vehicles in the program has grown to 783 vehicles, nearly 2.5 times the 1994 fleet size. Because of this growth and federal regulations, the program has needed to borrow funds to purchase new vehicles. As such, the balance sheet for the program has \$13.8 million in equipment assets with vehicles comprising nearly 100 percent of total assets. The equipment assets are depreciated to nearly 30 percent of their cost, for a book value of \$9.6 million financed by \$7.7 million of long-term debt. The resultant fund equity is \$2.1 million or 15.2 percent of total assets. An adjustment to decrease the fund equity balance is included in the rates. The adjustment is for net income gains from 1998 to 2002. The adjustment has the effect of reducing rates and is applied equally for both years of the 2005 biennium.

Rate Explanation

The State Motor Pool rental rates are based on a two-tiered structure. Users pay a usage rate and an assigned rate. The usage rate is charged for actual miles driven and allows the program to recover costs directly related to the operation of the vehicle, such as repair labor and parts, fuel, lubricants, tires, and tubes. The assigned rate allows the program to cover fixed costs associated with state ownership, such as insurance, principal and interest payments on BOI loans, depreciation, and other indirect expenses. The two-tiered rate structure first used in the 2003 biennium provides: 1) a stable revenue to pay loan payments and other cost obligations; and 2) equity among all vehicles classes so that one vehicle class does not subsidize another vehicle class.

The motor pool management system cost history for the two-tiered rate related to direct and indirect costs for each vehicle class was used to project final costs for the 2003 biennium and budgeted costs for the 2005 biennium. For the 2005 biennium, projected costs were adjusted for: 1) anticipated additional lease vehicles purchases; 2) anticipated interest rate increases; and 3) cost inflation of 3 percent.

The rates using the two-tiered structure are applied as follows for the two components of the State Motor Pool:

Daily rental:

$$\text{Cost (per occurrence)} = (\text{HR} \times \text{AR}) + (\text{AM} \times \text{MR}),$$

Out-stationed lease:

$$\text{Cost (annual)} = (2920 \times \text{AR}) + (\text{AM} \times \text{MR}),$$

where:

HR = 8 hours for each day the vehicle is checked out from the motor pool, including weekends;

AR = per hour assigned rate;

AM = actual miles traveled

MR = per mile operated rate.

For the 2005 biennium, the legislature approved the rates shown in the figure for the State Motor Pool.

State Motor Pool Base and 2005 Biennium Rates							
Class	Description	Fiscal 2002		Fiscal 2004		Fiscal 2005	
		Assigned (per hr)	Usage (per mile)	Assigned (per hr)	Usage (per mile)	Assigned (per hr)	Usage (per mile)
2	Small Utilities	\$ 1.597	\$ 0.022	\$ 2.040	\$ 0.098	\$ 2.211	\$ 0.098
4	Large Utilities	2.116	0.056	2.251	0.099	2.469	0.099
6	Mid-Size Compact	1.501	0.054	1.370	0.067	1.516	0.067
7	Small Pickups	1.270	0.030	1.123	0.110	1.243	0.110
11	Large Pickups	1.832	0.056	1.284	0.123	1.451	0.123
12	Van, All Types	1.449	0.071	1.372	0.134	1.476	0.134

By approving these rates, the legislature concurred in the following present law adjustments that would increase biennium expenses by \$5.7 million and contribute to rate changes for the State Motor Pool:

- Purchase 273 vehicles in fiscal 2004 and 194 vehicles in fiscal 2005. In fiscal 2004, 226 of the vehicles are to replace vehicles that would reach the end of their economic lives at the time of vehicle purchase. Likewise, 164 vehicles are to be replaced in fiscal 2005. Other vehicles purchased, 47 in fiscal 2004 and 30 in fiscal 2005, are to be used to increase the out-stationed vehicle fleet to satisfy statewide vehicle needs for long-term leases in agencies instead of each agency individually purchasing and managing new vehicles. This vehicle acquisition will increase program expenses by \$5.1 million during the biennium
- An increase of just over \$581,000 to fund fuel purchases for the daily use fleet

Proprietary Rates

Program Description

The Equipment Program is responsible for the acquisition, disposal, repair, and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. Other programs of the Department of Transportation are the exclusive users of the fleet. Costs for the program are financed through rental fees charged to user programs.

The program has increased the fleet size over the last two biennia due to: 1) increased federal-aid highway construction funding; and 2) the assumption of secondary roads by the department. At fiscal year end 1997, the program had 4041 units operated for more than 20 million miles per year. At the end of fiscal 2002, the fleet had grown to 4609 units operated for nearly 23 million miles.

Revenues and Expenses

Revenue is generated through the vehicle and equipment rental fees and from the gain on sale of surplus assets. Rental fees provide the majority of the revenue for the program. Revenues for the fleet are functionally tied to the severity of the winters, construction program workload, and travel requirements of the various programs using the equipment. As such, annual mileage and hours of usage can vary significantly. The program anticipates an increase in miles of travel and hour of usage due to the department's goal of improving the service to the traveling public. The rental rates would be set to cover anticipated increased expenses for fuel, cutting edges for snowplows, and repair parts that result from increased usage.

The program is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet, including funding for 122.00 FTE. The program pays all costs directly associated with vehicle and equipment operations, including liability insurance and fuel. The Equipment Program is reimbursed for accident costs caused by an outside party and is reimbursed for any warranty work completed by department personnel.

Indirect costs or costs that cannot be traced directly to specific usage of the vehicles and equipment are supported by the assigned rates and are allocated to each of the equipment fleet class and subclass. Direct costs or costs that can be traced directly to a particular unit use include fuel, oil, and tires and are supported by usage rates. Indirect costs consist mainly of overhead costs and are allocated equally to all units of the fleet. The equipment management system tracks direct costs and allocates them to the particular unit class the costs apply.

Equipment rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses, and maintain no more than a 60-day working capital balance. Revenue is generated through rental rates, gain on sale of surplus assets, and damage settlements. The primary source of revenue is from user rental fees charged for the use and possession of vehicles and equipment. Rental fees are based on a dual rate structure for actual miles driven (usage rate) and a possession rate (assigned rate). Actual miles of travel and hours of usage are reported biweekly and billings are generated on the same schedule as payrolls. Approximately \$700,000 in rental revenue is generated every two weeks. Rental revenue varies with the season, weather conditions, and workloads. Auction revenue varies depending on the number and types of units being sold. The program also receives incidental revenues for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. If the program does not generate sufficient revenue to meet these obligations, then the program would either liquidate assets or receive a loan.

The fund equity balance shows an increase due primarily to the increased fleet size that resulted when the department assumed maintenance responsibility for paved secondary roads. Revenues are anticipated to equal operation expenses and the working cash is projected to be less than the 60 days maximum allowable by the end of each fiscal year. In each fiscal year since 1999, federal money has been available to purchase equipment. The equipment is then donated to the Equipment Program and the donated equipment contributes to the increase in the fund equity balance. With this federally funded equipment, the Equipment Program is obligated to maintain the equipment and will replace the units when their

life cycles and costs dictate replacement.

The Equipment Program serves only other programs of the Department of Transportation. The cash flow is dependent on rental revenue and auction proceeds. If Montana experiences a harsh winter season, usage is higher and correspondingly rental revenues are higher. The Equipment Program cash balance is generally less than the allowable 60-day maximum. With less than 60-day cash the program, at times, does not have sufficient cash to cover obligations due at the beginning of each fiscal year. One significant expense that is paid at the beginning of the year is liability insurance paid to the Department of Administration Risk Management and Tort Claims Division for vehicle insurance. When needed for cash flow purposes, the program negotiates, at no interest, an inter-entity loan from the highway state special revenue account. The loan is repaid when rental revenues have generated enough cash to pay ongoing cash obligations.

Rate Explanation

The rental rates are based on a two-tiered rate structure. Equipment users pay a usage rate and an assigned rate. The usage rate is a per mile or hourly rate that is applied to a vehicle or piece of equipment for the actual miles or hours used and is designed to recover direct costs such as labor, parts, fuel, lubricants, tires and tubes. The assigned rate is designed to recover fixed costs such as insurance, depreciation, and indirect costs. Rental rates are adjusted each year based on the previous year operating experience. The rates are based on the actual operational costs for each sub-class for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The program's financial position also is considered in the rate development process in order to maintain a cash balance that will not exceed the 60-day maximum cash balance requirement.

The legislature approved providing the program the flexibility to adjust rates charged to users, but set a limit of 60 days as the maximum amount of working capital the program can maintain in its fund.

By approving this rate, the legislature concurred in the following present law adjustments that would increase biennium expenses by \$1.9 million and contribute to rate changes for the Equipment Program:

- An increase of roughly \$1.8 million for the biennium to replace existing equipment that would be at the end of their economic lives and fully depreciated when replaced
- An increase of \$100,000 for the biennium to provide enhancements to the existing fleet management system

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	111.50	0.00	0.00	111.50	0.00	0.00	111.50	111.50
Personal Services	3,980,544	478,753	33,971	4,493,268	472,510	145,342	4,598,396	9,091,664
Operating Expenses	795,104	(6,765)	0	788,339	44,953	0	840,057	1,628,396
Total Costs	\$4,775,648	\$471,988	\$33,971	\$5,281,607	\$517,463	\$145,342	\$5,438,453	\$10,720,060
State/Other Special	4,775,648	471,988	33,971	5,281,607	517,463	145,342	5,438,453	10,720,060
Total Funds	\$4,775,648	\$471,988	\$33,971	\$5,281,607	\$517,463	\$145,342	\$5,438,453	\$10,720,060

Program Description

The Motor Carrier Services Division enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, fuel, and vehicle and driver safety. The Licensing and Permit Bureau registers interstate fleet vehicles, issues commercial vehicle licenses, issues oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance, and size/weight laws.

Program Narrative

Department of Transportation Motor Carrier Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals add \$1.2 million of total funds for the two years of biennium with a base of \$4.8 million ?? Statewide present law adjustments and overtime and differential pay add almost \$1.0 million to the growth 	

Funding

The Motor Carrier Services Division is fully funded by the highways state special revenue fund, which receives revenue from highway user fees such as motor fuel taxes and gross vehicle weight fees.

Present Law Adjustments									
Fiscal 2004					Fiscal 2005				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				513,236					506,738
Vacancy Savings				(179,757)					(179,502)
Inflation/Deflation				6,693					7,374
Total Statewide Present Law Adjustments				\$340,172					\$334,610
DP 2201 - Wyoming/Montana Joint Port Project	0.00	0	0	0	0.00	0	50,000	0	50,000
DP 2202 - Overtime and Differential Pay	0.00	0	145,274	145,274	0.00	0	145,274	0	145,274
DP 2203 - Increased Credit Card Usage	0.00	0	20,000	20,000	0.00	0	20,000	0	20,000
DP 2204 - Equipment Rental	0.00	0	7,558	7,558	0.00	0	8,595	0	8,595
DP 2205 - Alternative Pay Plan Conversion	0.00	0	(41,016)	(41,016)	0.00	0	(41,016)	0	(41,016)
Total Other Present Law Adjustments	0.00	\$0	\$131,816	\$131,816	0.00	\$0	\$182,853	\$0	\$182,853
Grand Total All Present Law Adjustments				\$471,988					\$517,463

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2201 - Wyoming/Montana Joint Port Project - The legislature approved an increase of \$50,000 state special revenue in fiscal 2005 to train the Wyoming officers to enforce Montana's commercial vehicle laws on Montana's behalf once a new weigh station is completed along Interstate 90 on the Wyoming side of the border with Montana.

DP 2202 - Overtime and Differential Pay - The legislature approved an increase of \$290,548 state special revenue for the biennium to reestablish base year overtime and differential pay plus associated benefits.

DP 2203 - Increased Credit Card Usage - The legislature approved an increase of \$40,000 state special revenue for the biennium to fund credit card fees associated with increased use of automated transactions by the commercial motor carrier industry.

DP 2204 - Equipment Rental - The legislature approved an increase of \$16,153 state special revenue for the biennium to fund the program's share of proposed increases in the department's Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 2205 - Alternative Pay Plan Conversion - The legislature approved a reduction of \$82,032 state special revenue to reduce operating expenses to fund the costs of the broadband pay plan increases given during fiscal 2002.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6800 - HB 13 - Pay Plan 22	0.00	0	33,971	0	33,971	0.00	0	145,342	0	145,342
Total	0.00	\$0	\$33,971	\$0	\$33,971	0.00	\$0	\$145,342	\$0	\$145,342

New Proposals

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	408,651	49,033	3,033	460,717	49,757	12,988	471,396	932,113
Operating Expenses	296,799	203,878	3,600,000	4,100,677	32,835	0	329,634	4,430,311
Equipment	16,485	(6,594)	0	9,891	(6,594)	0	9,891	19,782
Grants	301,054	731,946	0	1,033,000	(301,054)	0	0	1,033,000
Transfers	25,452	0	0	25,452	0	0	25,452	50,904
Total Costs	\$1,048,441	\$978,263	\$3,603,033	\$5,629,737	(\$225,056)	\$12,988	\$836,373	\$6,466,110
State/Other Special	1,048,441	798,263	183,033	2,029,737	(225,056)	12,988	836,373	2,866,110
Federal Special	0	180,000	3,420,000	3,600,000	0	0	0	3,600,000
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$1,048,441	\$978,263	\$3,603,033	\$5,629,737	(\$225,056)	\$12,988	\$836,373	\$6,466,110

Program Description

The Montana Aeronautics Division: 1) facilitates the maintenance of airports and the various components of airport infrastructure, including visual and electronic navigational facilities and flying aids; 2) fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; 3) registers aircraft and pilots in accordance with Montana laws and regulations; and 4) coordinates and supervises aerial search and rescue operations. In accordance with the maintenance and safety aspects of the division's purpose, it administers a loan and grant program to municipal governments to provide funding for airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.

The division serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The division is also responsible for operation of the air carrier airport at West Yellowstone and for 12 other state-owned airports.

Program Narrative

Department of Transportation Aeronautics Program Major Budget Highlights	
○	Present law adjustments and new proposals add \$4.4 million of total funds for the two years of biennium with a base of \$1.1 million ?? Airport runway rehabilitations at the West Yellowstone and Lincoln airports add \$3.6 million of one time funding ?? The statewide plan update adds \$200,000 ?? Funding for airport grants adds \$430,892

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table						
Aeronautics Program						
	Base	% of Base	Budget	% of Budget	Budget	% of Budget
Program Funding	Fiscal 2002	Fiscal 2002	Fiscal 2004	Fiscal 2004	Fiscal 2005	Fiscal 2005
02287 Aeronautical Grant Account	\$ 181,922	17.4%	\$ 800,000	14.2%	\$ -	\$ -
02827 Aeronautics Division	747,387	71.3%	1,004,737	17.8%	836,373	100.0%
02962 Airport Pvm. Preservation	119,132	11.4%	225,000	4.0%	-	-
03060 Aeronautics Division	-	-	3,600,000	63.9%	-	-
Grand Total	\$ 1,048,441	100.0%	\$ 5,629,737	100.0%	\$ 836,373	100.0%

The Aeronautics Program, excluding the operations of the West Yellowstone Airport, is funded by both state and federal special revenue funds. State special revenue funds are derived primarily from state aviation fuels taxes and aviation license fees. Federal special revenue comes from Federal Aviation Administration grants. Operations of the West Yellowstone Airport are funded from an enterprise type proprietary fund with revenues that include local property taxes, rentals and leases, concession sales receipts, and landing fees. Because the proprietary funds do not require an appropriation, they are not included in the above table.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				62,769					63,522	
Vacancy Savings				(18,858)					(18,887)	
Inflation/Deflation				3,510					4,456	
Fixed Costs				1,210					1,209	
Total Statewide Present Law Adjustments				\$48,631					\$50,300	
DP 4003 - Overtime and Differential	0.00	0	5,122	0	5,122	0.00	0	5,122	0	5,122
DP 4004 - Program/Service Cost Adjustments	0.00	0	(7,436)	0	(7,436)	0.00	0	20,576	0	20,576
DP 4005 - Grant Increases - Biennial Appropriations	0.00	0	731,946	0	731,946	0.00	0	(301,054)	0	(301,054)
DP 4006 - Statewide Plan Update - Biennial Appropriations	0.00	0	20,000	180,000	200,000	0.00	0	0	0	0
Total Other Present Law Adjustments										
	0.00	\$0	\$749,632	\$180,000	\$929,632	0.00	\$0	(\$275,356)	\$0	(\$275,356)
Grand Total All Present Law Adjustments				\$978,263						(\$225,056)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 4003 - Overtime and Differential - The legislature approved an increase of \$10,244 state special revenue for the biennium to reestablish base year overtime and differential pay plus associated benefits.

DP 4004 - Program/Service Cost Adjustments - The legislature approved adjustments to the Aeronautics Program base to eliminate one-time expenditures and the Pan Am Weather program and to provide increases for contracts, the air search program, and operating costs associated with vacancies during the base year. The fiscal 2005 increase includes \$30,000 for costs associated with the revision to the aeronautical chart that supports a Federal Aviation Administration

requirement to update the state charts every four years. For the biennium, state special revenue increases by just over \$13,000. However, in fiscal 2004, the base year for the 2007 biennium budget, there is a reduction of nearly \$7,500.

DP 4005 - Grant Increases - Biennial Appropriations - The legislature approved an increase of nearly \$431,000 state special revenue for the biennium for airport grants to communities. Airport grants are to be used for airport safety and development projects, pavement preservation projects, and for purchasing courtesy cars at qualified airports where rental cars are not available. The legislature approved the appropriation for the base and the adjustment as a biennial appropriation. With the base, total grant authority for these purposes is \$1,033,000 state special revenue for the biennium.

DP 4006 - Statewide Plan Update - Biennial Appropriations - The legislature approved increases of \$20,000 state special revenue and \$180,000 federal special revenue for the biennium to provide grants for airport standards review and capital improvement plan updates required by the Federal Aviation Administration every five years. The legislature approved this funding as a biennial appropriation.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4001 - Runway Rehab West Yellowstone Airport - Biennial										
40	0.00	0	0	1,800,000	1,800,000	0.00	0	0	0	0
DP 4002 - Runway Rehab Lincoln Airport - Biennial Approp										
40	0.00	0	180,000	1,620,000	1,800,000	0.00	0	0	0	0
DP 6800 - HB 13 - Pay Plan										
40	0.00	0	3,033	0	3,033	0.00	0	12,988	0	12,988
Total	0.00	\$0	\$183,033	\$3,420,000	\$3,603,033	0.00	\$0	\$12,988	\$0	\$12,988

New Proposals

DP 4001 - Runway Rehab West Yellowstone Airport - Biennial - The legislature approved an increase of \$1.8 million federal special revenue for the biennium for a runway pavement rehabilitation project at the West Yellowstone Airport. The legislature approved funding for this project with a biennial appropriation and designated it as one time only.

DP 4002 - Runway Rehab Lincoln Airport - Biennial Appropriation - The legislature approved increases of \$1,620,000 federal special revenue and \$180,000 state special revenue for the biennium for a runway pavement rehabilitation project at the Lincoln Airport. The legislature approved funding for this project with a biennial appropriation and designated it as one time only.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.

Proprietary Rates

Program Description

The West Yellowstone Airport provides a fly-in gateway to the town of West Yellowstone, Yellowstone Park, and surrounding US Forest Service area recreational opportunities. The airport is seasonal in its operation matching the peak tourist demand of the area from June 1 to September 30. The airport serves as an inter-agency fire control center with both smoke jumpers and fire retardant bombers located at the airport. The airport accomplishes these missions with extensive facilities to accommodate aircraft of various sizes. The airport terminal building has tenants that provide the following functions: cafe, gift shop, two car rental agencies, fixed based operation (FBO) serving general aviation, and Skywest Airlines. The operation of the West Yellowstone Airport is funded from an enterprise type proprietary fund.

Revenues and Expenses

Revenues for the operation of the West Yellowstone Airport are derived from landing fees, building space rental fees, fuel flowage fees, sales receipts, and non-aero rentals. Expenses from the fund are for personal services for 1.29 FTE and operating expenses such as janitorial supplies, insurance, and facility maintenance.

The fund equity continues to increase to fund airport maintenance activities and rehabilitation projects such as the major runway rehabilitation project requested for the 2005 biennium.

Rate Explanation

Fees for provided services are market based. There are no increases planned in the 2005 biennium for landing fees, building fees, fuel flowage fees, sales receipts, and non-aero rentals. Because this is an enterprise type proprietary fund, the legislature does not approve rates. Fees are presented for information only.

The program for the operation of the West Yellowstone Airport charges the following fees:

West Yellowstone Airport 2005 Biennium Rates			
Fee Description		Fiscal 2004 Fees	Fiscal 2005 Fees
Landing Fees - Scheduled Air Carriers		\$0.50/1000 lbs	\$0.50/1000 lbs
Landing Fees - Other Uses	11,000-31,250 lbs	\$25	\$25
Landing Fees - Other Uses	>31,250 lbs	\$0.80/1000 lbs	\$0.80/1000 lbs
Fuel Flowage Fees (0015)		\$0.06/gallon	\$0.06/gallon
Building Leases - Car Rental	per month	\$1.55/sq.ft.	\$1.55/sq.ft.
Building Leases - FBO's & Tours	per month	\$1.2975/sq.ft.	\$1.2975/sq.ft.
Building Leases - Airlines	per month	\$1.8908/sq.ft.	\$1.8908/sq.ft.
Building Leases - U/G Storage	per month	\$0.025/sq.ft.	\$0.025/sq.ft.
Building Leases - Hanger Ground	per year	\$0.05/sq.ft.	\$0.05/sq.ft.
Tax Transfer		\$15,000 est.	\$15,000 est.
Sales Receipts - Car Rental		10% of gross	10% of gross
Sales Receipts - Café/Gift Shop		5% of gross	5% of gross
Miscellaneous Sales		Various	Various
Non-Aero Rentals - Nevada Testing	per year	Prior yr + CPI-U	Prior yr + CPI-U
Non-Aero Rentals - City of WYS	per year	\$9,600/year	\$9,600/year
Non-Aero Rentals - Energy West	per year/acre	Prior yr + CPI-U	Prior yr + CPI-U

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Leg. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Leg. Budget Fiscal 2005	Total Leg. Budget Fiscal 04-05
FTE	62.60	4.00	0.00	66.60	4.00	0.00	66.60	66.60
Personal Services	2,796,812	271,631	20,322	3,088,765	274,632	86,921	3,158,365	6,247,130
Operating Expenses	1,675,061	640,578	250,000	2,565,639	295,060	0	1,970,121	4,535,760
Equipment	19,274	0	0	19,274	0	0	19,274	38,548
Grants	3,793,592	2,668,750	0	6,462,342	2,668,750	0	6,462,342	12,924,684
Total Costs	\$8,284,739	\$3,580,959	\$270,322	\$12,136,020	\$3,238,442	\$86,921	\$11,610,102	\$23,746,122
General Fund	0	0	0	0	0	0	0	0
State/Other Special	1,567,357	1,339,931	54,850	2,962,138	971,509	20,760	2,559,626	5,521,764
Federal Special	6,717,382	2,241,028	215,472	9,173,882	2,266,933	66,161	9,050,476	18,224,358
Total Funds	\$8,284,739	\$3,580,959	\$270,322	\$12,136,020	\$3,238,442	\$86,921	\$11,610,102	\$23,746,122

Program Description

The Transportation Planning Division provides: 1) an inventory of transportation infrastructure to allocate funds, maintain Department of Transportation eligibility for grants and federal funds, and aid in the process of project prioritization and selection; 2) a statewide planning program and assistance to local area transportation planning; and 3) response to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. This planning results in a program that includes buses for transit systems, street and highway improvements, railroad track rehabilitation, and transportation enhancements for non-motorized and beautification improvements.

Program Narrative

Department of Transportation Transportation Planning Division Major Budget Highlights	
<ul style="list-style-type: none"> ○ Present law adjustments and new proposals add \$7.2 million of total funds for the two years of biennium with a base of \$8.3 million <ul style="list-style-type: none"> ?? Funding for federal transit capital assistance grants to local governments adds \$3.1 million ?? Transportation assistance for disabled and elderly adds \$1.3 million ?? Funding for technical assistance to evaluate the impacts rail changes have on the Montana economy and transportation system adds \$250,000 ?? Funding for training and grants for urban transit programs adds \$970,000 ?? Funding for FTE and operating costs of weigh-in-motion and the State Truck Activity Reporting System adds \$596,066 ○ Staffing is increased by 4.00 FTE each year for positions that install and maintain weigh-in-motion systems across the state 	

Funding

The following table shows program funding, by source, for the base year and the 2005 biennium.

Program Funding Table						
Transportation Planning Divisi						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
02282 Fta Local Match	\$ 208,664	2.5%	\$ 399,865	3.3%	\$ 399,865	3.4%
02422 Highways Special Revenue	1,358,693	16.4%	2,562,273	21.1%	2,159,761	18.6%
03147 Fta Grants	1,928,986	23.3%	3,898,377	32.1%	3,898,467	33.6%
03407 Highway Trust - Sp Rev	<u>4,788,396</u>	<u>57.8%</u>	<u>5,275,505</u>	<u>43.5%</u>	<u>5,152,009</u>	<u>44.4%</u>
Grand Total	<u>\$ 8,284,739</u>	<u>100.0%</u>	<u>\$ 12,136,020</u>	<u>100.0%</u>	<u>\$ 11,610,102</u>	<u>100.0%</u>

The Transportation Planning Division is funded with a combination of state and federal special revenue funds. Transit grants are generally fully funded (100 percent) with Federal Transit Administration funds. However, if a match is required it is provided by the local entity receiving services or on a rare occasion with highways state special revenue funds. The remaining division activities are funded with federal planning and research funds and state special revenue funds at a ratio of 65 percent federal and 35 percent state special revenue for the 2005 biennium. State special revenue funds include nearly \$800,000 in local match pass-through authority for the 2005 biennium.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				207,524					211,113
Vacancy Savings				(120,176)					(120,313)
Inflation/Deflation				2,704					3,147
Fixed Costs				465					465
Total Statewide Present Law Adjustments				\$90,517					\$94,412
DP 5002 - Transportation Assistance for Disabled/Elderly									
0.00	0	629,442	0	629,442	0.00	0	629,442	0	629,442
DP 5003 - Federal Transit Administration Section 5309									
0.00	0	0	1,528,000	1,528,000	0.00	0	0	1,528,000	1,528,000
DP 5004 - Traffic Data Processing Software									
0.00	0	49,188	150,812	200,000	0.00	0	49,188	150,812	200,000
DP 5005 - FTE/Operating for Weigh-in-Motion (WIM) and STARS									
4.00	0	62,333	235,911	298,244	4.00	0	62,245	235,577	297,822
DP 5006 - Overtime and Differential									
0.00	0	3,192	11,089	14,281	0.00	0	3,192	11,089	14,281
DP 5008 - TEA21 Federal Funding Increases									
0.00	0	229,666	255,311	484,977	0.00	0	229,666	255,311	484,977
DP 5009 - Seasonal Contracted Services									
0.00	0	8,814	35,476	44,290	0.00	0	7,934	32,446	40,380
DP 5010 - Travel Adjustment									
0.00	0	0	20,291	20,291	0.00	0	0	20,400	20,400
DP 5011 - Senior/Disabled Vehicle Adjustment									
0.00	0	30,981	53,597	84,578	0.00	0	30,981	53,597	84,578
DP 5012 - Federal Earmark and Other Contracted Services									
0.00	0	68,664	274,657	343,321	0.00	0	0	0	0
DP 5013 - Equipment Rental									
0.00	0	1,843	6,387	8,230	0.00	0	2,097	7,265	9,362
DP 5014 - Alternative Pay Plan Conversion									
0.00	0	(52,559)	(112,653)	(165,212)	0.00	0	(52,559)	(112,653)	(165,212)
Total Other Present Law Adjustments									
4.00	\$0	\$1,031,564	\$2,458,878	\$3,490,442	4.00	\$0	\$962,186	\$2,181,844	\$3,144,030
Grand Total All Present Law Adjustments				\$3,580,959					\$3,238,442

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature.

"Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 5002 - Transportation Assistance for Disabled/Elderly - The legislature approved an increase of nearly \$1.3 million state special revenue for the biennium to provide operating funds to counties, incorporated cities and towns, transportation districts, or nonprofit organizations for transportation services for persons 60 years of age or older, and for persons with disabilities. Funding for this program is derived from a 25-cent fee collected on all vehicle registrations with the exception of trailers and semi-trailers. The fee revenue is deposited into the general fund and transferred to the disabilities transportation services state special revenue account by statutory direction of 61-3-321, MCA.

DP 5003 - Federal Transit Administration Section 5309 - The legislature approved an increase of nearly \$3.1 million federal special revenue for the biennium for transit capital assistance grants to local governments. The projects were submitted through and supported by the Montana congressional delegation. These federal funds will be used to construct transit facilities and purchase vehicles. The legislature established a separate line item for this funding and restricted it only for use as stated.

DP 5004 - Traffic Data Processing Software - The legislature approved increases of \$98,376 state special revenue and \$301,624 federal special revenue for the biennium for contracted services to develop traffic data processing software. The software will be used to collect, maintain, analyze, and report data such as volume, vehicle classification, weight, speed, and occupancy collected from more than 4,000 sites and used by virtually all entities of the department.

DP 5005 - FTE/Operating for Weigh-in-Motion (WIM) and STARS - The legislature approved increases of \$124,578 state special revenue and \$471,488 federal special revenue for the biennium to provide funding for 4.00 FTE and operating costs to support the State Truck Activity Reporting System (STARS). The staff for the program will install, repair, maintain, calibrate, and manage weigh-in-motion (WIM) equipment located at more than 90 locations across the state and will process and manage WIM data from the equipment.

DP 5006 - Overtime and Differential - The legislature approved increases of \$6,384 state special revenue and \$22,178 federal special revenue for the biennium to reestablish base year overtime and differential pay plus associated benefits.

DP 5008 - TEA-21 Federal Funding Increases - The legislature approved increases of \$459,000 state special revenue and \$511,000 federal special revenue to provide training and grants for urban transit programs in Billings, Great Falls, and Missoula. Of the state special revenue, \$379,000 will come from local governments via pass-through funds specifically provided to match federal transit funds.

DP 5009 - Seasonal Contracted Services - The legislature approved increases of \$16,748 state special revenue and \$67,922 federal special revenue for the biennium for contracted services to complete the field road inventory.

DP 5010 - Travel Adjustment - The legislature approved an increase of \$40,691 federal special revenue for the biennium to adjust travel to 2005 biennium anticipated amounts.

DP 5011 - Senior/Disabled Vehicle Adjustment - The legislature approved increases of \$61,962 state special revenue and \$107,194 federal special revenue for the biennium to purchase vehicles for agencies that transport senior citizens and disabled individuals.

DP 5012 - Federal Earmark and Other Contracted Services - The legislature approved increases of \$68,664 state special revenue and \$274,657 federal special revenue for fiscal 2004 to complete the CANAMEX corridor study and complete two projects funded with federal earmarked funds but not completed during the 2003 biennium. The funding is to: 1) erect geological signs; and 2) implement a roadside animal detection system. The legislature designated the appropriation for these funds as one time only.

DP 5013 - Equipment Rental - The legislature approved increases of \$3,940 state special revenue and \$13,652 federal special revenue for the biennium to fund the program's share of proposed increases in the department's Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 5014 - Alternative Pay Plan Conversion - The legislature approved reductions of \$105,118 state special revenue and \$225,306 federal special revenue to reduce operating expenses to fund the costs of the broadband pay plan increases given during fiscal 2002.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5001 - Multimodal Transportation Corridor Tech Assist										
50	0.00	0	50,000	200,000	250,000	0.00	0	0	0	0
DP 6800 - HB 13 - Pay Plan										
50	0.00	0	4,850	15,472	20,322	0.00	0	20,760	66,161	86,921
Total	0.00	\$0	\$54,850	\$215,472	\$270,322	0.00	\$0	\$20,760	\$66,161	\$86,921

New Proposals

DP 5001 - Multimodal Transportation Corridor Tech Assist - The legislature approved increases of \$50,000 state special revenue and \$200,000 federal special revenue in fiscal 2004 for contracted services from other state agencies, local government, and private sector entities to evaluate the impacts railroad branch line abandonment, declining rail traffic, and changes in railroad management would have on the Montana transportation system and Montana's economy. The legislature established a separate line item for this funding and restricted it only for use as stated.

DP 6800 - HB 13 - Pay Plan - The legislature passed a pay plan in HB 13 that provides an additional \$44 per month in insurance contributions in calendar 2004 and an additional \$50 per month in calendar 2005, as well as a \$0.25 per hour salary increase in the final six months of fiscal 2005. These amounts represent this program's allocation of costs to fund this pay plan. An additional \$44 per month in insurance contribution for the first six months of fiscal 2004 was not funded.